

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“CHFFA”)
STAFF SUMMARY AND RECOMMENDATION**

Central City Community Health Center (“CC”)

Readopted Resolution Number HII-213

October 8, 2009

PURPOSE OF THE REQUEST:

Staff requests the board to revive a now expired resolution (as of January 31, 2009) in favor of Central City Community Health Center (“CC”). By “readopting” the original resolution and conferring a new expiration date, staff may then release the remaining balance of CC’s HELP II loan funds in the amount of \$322,000. The readopted resolution will then have a new expiration date of December 31, 2009.

BACKGROUND:

At its January 31, 2008 meeting, the Authority approved Resolution No. HII-213, authorizing a HELP II loan in the amount of \$722,000. Loan proceeds were approved to purchase and then renovate an existing facility leased by CC.

Though the Resolution authorized \$722,000, the Authority initially disbursed only \$400,000 to permit CC’s acquisition of the facility. The Authority retained the remaining funds earmarked for renovation as CC had not yet submitted requisite documentation (i.e., building permits and an executed construction contract) concerning the planned construction. Unfortunately, the resolution expired before CC was able to deliver the necessary documents to the Authority.

According to CC, obtaining the construction permits took longer than anticipated because the City and County of Los Angeles imposed an unexpected and costly road widening requirement and an additional requirement to install a new fire hydrant. CC apparently engaged in lengthy negotiations with the City and County of Los Angeles to find suitable alternatives which just recently resolved. On July 20, 2009, CC obtained the construction permits, executed the construction contract, and submitted these items to Authority staff. CC management anticipates construction to begin mid-October 2009.

CC has now complied with all funding conditions set forth in the original resolution. In light of the foregoing, and CC’s apparently continued solid financial position, staff recommends releasing the remaining portion of the HELP II loan originally approved by the board. A summary of the HELP II Funding is shown immediately below, followed by an abbreviated and updated financial discussion.

ORIGINAL HELP II LOAN AMOUNT:	\$722,000
HELP II FUNDS DISBURSED TO DATE:	<u>\$400,000</u>
REMAINING HELP II LOAN BALANCE:	\$322,000

FINANCIAL STATEMENTS AND ANALYSIS

Central City Community Health Center Statement of Activities (Unrestricted)

	For the year ended June 30		
	2008	2007	2006
<u>REVENUE & SUPPORT</u>			
Fees for service	\$ 4,450,525	\$ 2,667,992	\$ 1,364,502
Grants	1,499,432	821,472	853,240
Other revenues	118,086	16,107	11,333
Total support and revenue	<u>6,068,043</u>	<u>3,505,571</u>	<u>2,229,075</u>
<u>EXPENSES</u>			
Salaries and Benefits	2,079,800	1,254,904	998,530
Auto Expense	48,071	33,087	23,117
Billing services	78,300	153,501	2,539
Bad debt expense	305,865	-	89,714
Contract Labor - admin	-	-	3,040
Contract labor - physicians	1,610,825	1,043,094	328,289
Depreciation	13,513	10,641	11,008
Dues and subscriptions	7,867	4,675	3,294
Equipment rentals	20,488	11,031	4,126
Interest Expense	4,709	2,121	3,805
Insurance	57,543	44,472	17,483
Laboratory fees	72,301	40,864	41,027
Taxes and license	4,562	6,909	3,381
Medical supplies	115,031	97,426	98,500
Outreach expense	234,903	80,891	92,340
Office expense	161,742	126,193	113,814
Outside services/consultants	82,286	86,632	39,008
Professional fees	80,039	76,927	46,555
Professional development	-	5,712	4,211
Rent	233,809	156,509	110,715
Repairs and maintenance	38,456	16,680	12,529
Telephone and Utilities	71,949	55,151	53,728
Write off clinic acquisition costs	218,676	-	-
Total expenses	<u>5,540,735</u>	<u>3,307,420</u>	<u>2,100,753</u>
Change in unrestricted net assets	527,308	198,151	128,322
Prior year correction - payroll taxes -old	-	(78,845)	-
Unrestricted net assets at beginning of year	246,516	127,210	(29,026)
Unrestricted net assets end of year	<u>\$ 773,824</u>	<u>\$ 246,516</u>	<u>\$ 127,210</u>

**Central City Community Health Center
Statement of Financial Position**

	As of June 30		
	2008	2007	2006
<u>Assets</u>			
Current Assets:			
Cash and cash equivalent	\$ 470,961	\$ 135,130	\$ 138,732
Accounts receivable	753,647	522,018	219,247
Escrow deposit-designated	\$ 327,000	-	-
Total Current Assets	<u>1,551,608</u>	<u>657,148</u>	<u>357,979</u>
Fixed Assets, net	1,154,182	81,127	81,327
Other assets (a)	-	223,676	13,000
Total Assets	<u>\$ 2,705,790</u>	<u>\$ 961,951</u>	<u>\$ 452,306</u>
<u>Liabilities & Net Assets</u>			
Current Liabilities:			
Accounts payable	\$ 494,755	\$ 354,662	\$ 107,523
Accrued medical services	190,919	75,802	-
Accrued vacation	38,776	33,898	-
Current portion - long term debt	64,848	19,307	18,999
Deferred revenue	250,000	-	-
Security deposit	7,157	-	-
Accrued salaries and payroll taxes	81,894	64,469	-
Current portion -payroll taxes payable old (b)	85,000	72,000	145,000
Total Current Liabilities	<u>1,213,349</u>	<u>620,138</u>	<u>271,522</u>
Long term debt, less current portion	718,617	34,297	53,574
Payroll taxes payable -old	-	61,000	-
Total Long term liabilities	<u>718,617</u>	<u>95,297</u>	<u>53,574</u>
Total Liabilities	<u>1,931,966</u>	<u>715,435</u>	<u>325,096</u>
Net Assets:			
Unrestricted Net Assets	773,824	246,516	127,210
Total Liabilities & Net Assets	<u>\$ 2,705,790</u>	<u>\$ 961,951</u>	<u>\$ 452,306</u>

Financial Ratios:

	2008		2008	2007	2006
	Proforma (c)				
Debt Service Coverage (x)	6.42		21.66	9.99	12.03
Debt/Unrestricted Net Assets (x)	3.15		1.01	0.22	0.57
Margin (%)			8.69	5.65	5.76
Current Ratio (x)			1.01	1.06	1.32

(a) One Clinic Asset Acquisition reported in FY 2006 & FY 2007, and a FY 2007 Escrow Deposit on the proposed project.

(b) Federal payroll taxes in arrears incurred prior to Sept. 2003. Settled with the IRS for \$145,000 and monthly payments are being made.

(c) Recalculates 2008 audited results to include the impact of the HELP II financing.

Financial Discussion – Statement of Activities (Income Statement)

CC's income statement appears to reflect solid operating performance over the reporting period. Net income also has increased by over 300% from FY 2006 to FY2008. This increase is apparently due to an outreach campaign that increased the mental health services provided by CC. The income statement for FY 2008 appears much stronger than the income statements received when the HELP II application was initially submitted, with the operating results increasing from \$198,000 in FY 2007 to \$527,000 in FY 2008.

Financial Discussion – Statement of Financial Position (Balance Sheet)

CC appears to have significantly increased its net assets and has demonstrated growth in its financial resources seemingly due to CC's acquisition of their formerly leased facility. Additionally, CC has increased their cash balances due to the aforementioned increase in mental health services fees, which are apparently highly reimbursable and easier to collect. CC's FY 2008 balance sheet reflects ownership of the South CC facility, purchased in part by HELP II funds. CC exhibits a current ratio of 1.01x, supported by significant cash/cash equivalents of \$471,000. CC continues to maintain a solid proforma debt service coverage of 6.42x, which appears to indicate CC will be able to continue making payments on the approved HELP II loan.

RECOMMENDATION:

Staff recommends the Authority approve the readoption of the original resolution authorizing the release of the remaining balance of the HELP II loan proceeds in an amount of \$322,000 for Central City Community Health Center, subject to the standard HELP II loan provisions and a new expiration date of December 31, 2009.